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Addressing Micronutrient Deficiencies Through Flour Fortification
In the CEE/CIS Region

Addressing Trade Concerns, Import Duties, VAT and WTO Agreements

Quentin Johnson, Coordinator
Training & Technical Support Group FFI
Trade Considerations

- Must ensure compliance with international agreements e.g. WTO, SPS and TBT agreements

What are the rights and obligations under the SPS agreement?

WTO: World Trade Organization
SPS: Sanitary and Phyto-Sanitary specifications
TBS: Technical Barriers to Trade
Rights of Signatory Countries under the SPS Agreement

- WTO Members are allowed to adopt or enforce measures necessary to protect human, animal or plant life or health.
- However, these measures are not to be applied in a manner which would constitute:
  - arbitrary or unjustifiable discrimination between Members of WTO
  - a disguised restriction on international trade
Obligations of Signatories under the SPS Agreement

- WTO Members must base their measures on international standards wherever possible
- Must base their SPS measures on an assessment of risk
- Ensure measures are necessary to protect health
- Not unjustifiably discriminating to foreign sources of supply
- Promote the review and development of international standards
Cost/Benefit Considerations as Part of Regulatory Impact Assessment

- Need to assess the extent to which standards protect public health
- Need to assess costs to consumers and food business e.g.
  - higher prices and/or
  - reduced choice of product
  - Ingredients, processing, storage, technological
  - Documentation, monitoring records, analysis and certification
  - Inspection services
- Regulators’ costs
Labeling Considerations

- Flour that is fortified should be labeled as “fortified or enriched with vitamins and minerals”
- If nutritional labeling is required by regulations then a panel showing the types of vitamins and minerals and the added amounts should be displayed
Import Duties- Fortification inputs

- Import duties on all inputs that have to be imported for food fortification should be eliminated (preferred) or reduced to a minimum.
- Covers premix, feeders, QC/QA lab equipment and chemicals
- Elimination of import duties should be part of the government’s contribution to the national program
Import Duties – Fortified flour

- Import duties on fortified flour should not change from any existing import duties on unfortified flour
  - If duties are raised then it could be considered a Technical Barrier to Trade
  - If duties are lowered then the national milling industry is put at a disadvantage to imports
VAT Application

- Many countries apply VAT to all goods including foods but some countries do not apply VAT to staple foods (Canada)
- Elimination of VAT is desirable for fortified foods but many countries find it difficult to administer VAT exemptions
- Medicine and medical supplies are VAT exempt in many countries. The same should be applied to premix
Key Points

- Not basing standards on the best science available could leave the way open to trading partners challenging the standard through WTO.

- Adherence to the specifications in the WHO Recommendations on Wheat and Maize flour will protect countries against potential complaints under WTO.

- Labels should meet existing country requirements and follow the Codex Alimentarius general guidelines.

- Regional flour fortification standards should be established i.e. CARK countries standard (KAP Complex).